

Tiedekunta-Fakultet-Faculty Faculty of Social Sciences		Laitos-Institution-Department Department of Economics
Tekijä-Författare-Author Appelqvist, Jukka		
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Tiivistelmä-Referat-Abstract The cost of involuntary job loss for displaced workers has been a focus of intensive study in recent years. A typical conclusion in these studies has been that displaced workers suffer large and persistent losses as a consequence of their dismissal. There are, however, considerable differences in the results of different studies. Despite active research elsewhere, little is known about the consequences of displacement in Finland. The purpose of this study is to use a linked employer-employee panel data, constructed from administrative records by Statistics Finland, to investigate the cost of job displacement for private sector workers displaced in Finland during the years 1992 and 1997. Both Ordinary Least Squares and Fixed Effects models are used to estimate the consequences of displacement. Our main goal is to measure the ways in which involuntary job loss at some point in time affects the subsequent annual earnings and monthly wages of displaced workers when compared to similar workers who were not displaced. Our first finding is that even re-employed workers displaced in 1992 suffer substantial and persistent losses in monthly wages: still five years after displacement their monthly wages are approximately 8 - 9.5 percent lower than in the control group. The same is not true for the workers who were displaced in 1997. In the 1997 group, the monthly wages of re-employed workers were not affected by displacement. The interpretation of the results on annual earnings is complicated by some technical difficulties and it should be done cautiously. Even so, our results make it clear that displacement has a sizeable negative effect on annual earnings and that the relative magnitude of the following losses is importantly related to the time of displacement. Even according to the lowest of our estimates, the annual earnings of displaced workers initially drop by approximately 41.9 percent in the 1992 group. A corresponding estimate for the 1997 group is 9.2 percent. Furthermore, in the 1992 group, the annual earnings of displaced workers are almost 23 percent lower than in the comparison group still five years after displacement even according to the lowest of the estimates. A corresponding estimate in the 1997 is less than 4 percent. The final section of the study discusses possible explanations for the estimated losses. These explanations include the loss of human capital, good job matches, deferred compensation, or privileged job market position. Special emphasis is given to analyzing how asymmetric information regarding productive ability may influence wage and earnings after displacement.		
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